

Message Text

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ACTION EB-11

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC IMMEDIATE 5287

C O N F I D E N T I A L NASSAU 369

E.O. 11652: GDS

TAGS: ETRN, BF

SUBJECT: CIVAIR: BAHAMASAIR PERMIT APPLICATION

1. THE GCOB AND BAHAMASAIR CONTINUE TO BE DISTURBED BY THE PROSPECT THAT THE CAB WILL ISSUE THE AIRLINE A FIVE YEAR PERMIT RATHER THAN AN UNRESTRICTED PERMENENT ONE. THE MATTER HAS BEEN RAISED BOTH BY THE MINISTER OF TOURISM WITH THE AMBASSADOR AND BY MINISTRY AND AIRLINE OFFICIALS WITH THE ECONOFF. THE MINISTER, PRESUMABLY REFLECTING VIEWS HELD BY FELLOW MEMBERS OF THE CABINET, APPEARS TO BE REACTING IN A MANNER OUT OF PROPORTION TO WHAT SEEMS TO BE INVOLVED. THE GCOB ATTITUDE, AS REPORTED TO THE EMBASSY, IS THAT THE BAHAMAS IS BEING SHOVED AROUND" AND THAT IT IS BEING DONE DELIBERATELY. THE MINISTER WAS ALREADY UPSET THAT BAHAMASAIR ONLY RECEIVED LESS THAN HALF THE FUEL ALLOCATION IN MIAMI IT HAD REQUESTED FROM FEO. (FYI - FUEL COSTS IN NASSAU FOR THE AIRLINE ARE CONSIDERABLY HIGHER THAN IN MIAMI.) THE TOURISM MINISTER INDICATED TO THE AMBASSADOR THAT THE GCOB IS SO CONCERNED THAT THE PRIME MINISTER MAY BECOME INVOLVED IN THIS ISSUE.

2. WHILE THE EMBASSY REALIZES THAT CAB PERMIT APPLICATIONS ARE NORMALLY TREATED AS COMMERCIAL MATTERS, THIS ONE
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HOLDS THE POTENTIAL FOR A POLITICAL SPILLOVER WHICH

COULD ADVERSELY AFFECT OUR RELATIONS WITH THE GCOB ON A WIDER PLANE. THEREFORE, WE FEEL THAT THE POLITICAL CONSIDERATIONS SHOULD BE FACTORED INTO THE CAB'S DELIBERATIONS BY THE DEPARTMENT.

3. THE GCOB'S PRIMARY CONCERN STEMS FROM THE EFFECT A FIVE YEAR VS PERMANENT PERMIT WILL HAVE ON THE AIRLINE'S ABILITY TO OBTAIN FINANCING, PARTICULARLY LONG TERM FINANCING, WHICH IS URGENTLY NEEDED. THE AIRLINE IS TRYING TO RAISE \$4 MILLION TO MEET CAPITAL PAYMENTS ON SOME EQUIPMENT AND TO COVER THE HALF MILLION DOLLAR OPERATING LOSSES INCURRED OVER THE PAST SIX MONTHS. (PART OF THIS LOSS CAN BE ATTRIBUTED TO HIGHER FUEL COSTS. BAHAMAS AIR IS EXPERIENCING DIFFICULTY IN OBTAINING THE FINANCING AS THE BANKS APPROACHED ARE ALREADY LEARY ABOUT EXTENDING THE CREDIT. FAILURE TO OBTAIN THE PERMANENT PERMIT, THE AIRLINE AND GCOB FEEL, WHILE ONLY ONE FACTOR, WILL GIVE THEIR EFFORTS THE KISS OF DEATH. WITHOUT THE FINANCING THE CONTINUED OPERATION OF THE AIRLINE COULD BE UNTENABLE.

4. IF THE BAHAMIANS ASSERTIONS ARE WELL FOUNDED AND IF LACK OF FINANCING DUE TO THE LIMITED TERM OF THE PERMIT DOES JEOPARDIZE THE AIRLINES FUTURE THERE IS CAUSE FOR CONCERN ON THE POLITICAL LEVEL. BAHAMASAIR IS VITAL TO THE INTERNAL TRANSPORTATION SYSTEM SINCE IT SERVES AS THE PRINCIPAL LINK BETWEEN NASSAU AND MOST OF THE OTHER IMPORTANT ISLANDS IN THE COUNTRY. THE AIRLINE WAS BORN AMIDST GREAT FANFARE AS AN ACCOMPLISHMENT OF THE GOVERNMENT IN POWER. ITS FAILURE WOULD BE A HARD PILL TO SWALLOW AND OPEN THE GOVERNMENT TO SEVERE CRITICISM BY THE OPPOSITION AS PROOF THAT THE PLP IS NOT CAPABLE OF RUNNING THE COUNTRY. IF THE BLAME CAN BE PLACED ON AN ACTION BY THE USG, IT COULD GENERATE CONSIDERABLE RESENTMENT AMONG THE PRESENT LEADERSHIP.

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